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SUBJECT: BINH DINH PROVINCE: GETTING IT RIGHT

REF: 04 Hanoi 3246

SUMMARY

1. (U): Binh Dinh Province, on Vietnam's central coast, is significantly out-performing its neighbors. Despite the poor resources and traditional poverty of the central region, Binh Dinh ranked 21st out of 61 provinces in the UNDP 2003 Vietnam Millennium Development Goals Index, and 12th out of 42 provinces in the USAID-funded 2005 Provincial Competitiveness Index. The province is a major center for outdoor furniture, a booming billion dollar plus export industry for Vietnam. Provincial leadership is investing heavily in infrastructure to boost industrial development and tourism. A good port, abundant potential workforce, and extensive beaches make this a viable strategy, especially given a pro-private investment, limited state-owned enterprise orientation. Both foreign business and NGOs spoke highly of provincial leaders. While the province is still in an early stage of development, we will encourage US investors to give it a close look. The pristine coastal environment also holds great potential for aquaculture and makes Binh Dinh a potential area for technical assistance in integrated coastal management. END SUMMARY.

2. (U) Consul General visited Binh Dinh September 19-20 to examine the roots of the provinces strong performance relative to its neighbors. Meetings with the People's Committee leadership, local bankers and businesses, industrial development sites representatives, the University, foreign investors, an NGO, and a drug/sex worker rehabilitation center painted a consistent picture of a progressive province on the cusp of rapid development.

BINH DINH PEOPLE'S COMMITTEE: BUILD IT AND THEY WILL COME

3. (SBU) Under the leadership of Chairman Vu Hoang Ha, the Binh Dinh People's Committee has emphasized building up provincial infrastructure and developing three major industrial/economic zones, the Nhon Hoi Economic Zone (NHEZ) being the most ambitious. Although it has utilized both GVN finances and policies to its advantage, Binh Dinh, according to Mr. Ha, follows its own direction in terms of economic development. In a private conversation with the CG, one official noted that Ha and the current Binh Dinh Party Secretary, Nguyen Xuan Duong, do not see eye-to-eye on development, and Ha considers the Party Secretary to lack progressive vision and to be more of an obstacle than an asset. (NOTE: The Party Secretary was not available to meet with CG. END NOTE.)

4. (U) Binh Dinh has undertaken a variety of significant infrastructure projects to make the province an attractive investment location. The province recently completed a new coastal highway between the provincial capital, Quy Nhon, and the adjacent province to the south, Phu Yen. In addition, Binh Dinh has plans to complete roads between Phu Cat Airport and NHEZ, and between NHEZ and Quy Nhon. A significant portion of this second road will be the 2.5 km Nhan Hoi Bridge, which, when completed in May 2006, will be the longest bridge in Vietnam, according to Binh Dinh officials. Binh Dinh is also improving electricity and water capacity. Renovation of the current electricity network is underway and plans for two wind power plants are also in progress.

5. (U) Binh Dinh is also increasing the capacity of Quy Nhon seaport, which is the tenth largest port in Vietnam and busier than the much larger port of Danang. According to port officials, its popularity derives from the port's proximity to the central and southern provinces of Vietnam, Cambodia, and Laos, as well as its port services. Quy Nhon port handled 2.5 million tons of cargo in 2004 and will likely reach 3 million tons by the end of the 2005. It currently has the capacity for 30,000 deadweight ton ships, though there are plans to build more piers with greater capacity. Vessels from Quy Nhon transship through Singapore.

6. (U) The Phu Tai Industrial Zone and the Long My Industrial Zone, located in Quy Nhon, are largely complete and already in use by various operations, mainly factories producing outdoor furniture. According to provincial officials, outdoor furniture manufacturing - Binh Dinh's largest industry - accounted for 1.25 percent of Vietnam's GDP in 2004, and Binh Dinh is second only to Binh Duong Province in its furniture production. According to the Binh Dinh Industrial Zones Management Board Chairman, almost all

of the enterprises located in the Phu Tai and Long My industrial zones are private companies. The Department of Planning and Investment stated that there are 40 state-owned enterprises in Binh Dinh that account for 20 percent of the province's industrial production.

17. (SBU) Nhon Hoi Economic Zone is an ambitious project being developed on the Phuong Mai peninsula, across Thi Nai Lagoon from Quy Nhon. In addition to hosting manufacturing operations, NHEZ will develop tourism and residential areas. Construction in NHEZ should begin in June 2006. Of concern is the environmental impact NHEZ will have on Thi Nai Lagoon, a long salt-water estuary rich in marine life and potential major oyster farming ground. Quy Nhon's current sewage system is out-dated and inefficient, but local officials reported that plans are being developed with international donors to improve the city's waste disposal.

BUSINESS SUCCESS STORIES

18. (SBU) Pure Bay Oyster Company (PBOC) is an American/Australian-owned firm that relocated to Binh Dinh from Khanh Hoa Province in 1998. PBOC sells 500 cases of oysters per month, primarily to high-end hotels and restaurants in HCMC. According to Amcit Deputy Director Thomas Williams, the company recently obtained a sea lease from Binh Dinh for a portion of De Gi Lagoon, where it plans to start oyster farming in approximately six months. Currently, PBOC buys its product from individual fishermen. PBOC also plans to move beyond domestic buyers and export to Thailand, Hong Kong, and the United States. PBOC continues to have no real difficulties with local authorities (ref:tel). In a separate conversation, Binh Dinh officials told the CG they plan to cooperate fully with PBOC because they see the potential of the oyster industry to attract investors and become another avenue for economic expansion. PBOC is optimistic about the seafood industry in general, and the oyster niche in particular, because Vietnam is one of the new global sources for oysters. PBOC continues to grapple with the challenge of getting product to market because of the lack of direct transportation routes to Danang or HCMC.

19. (SBU) The privately-owned Duc Nhan Limited Liability Company, located in Quy Nhon and established in 2003, represents one of the larger outdoor wooden furniture manufacturers in Binh Dinh. Duc Nhan is based in Kon Tum Province, but company Director Nguyen Thanh Nhon said he had opened the Binh Dinh operation because he hoped to save on transportation costs and benefit from greater access to information and customers because of Binh Dinh's location. While worker salaries in Binh Dinh are higher than at Duc Nhan's Kon Tum factory, wood transportation costs are much lower given the proximity of Quy Nhon Port. Duc Nhan produces 130 containers of furniture per month and imports its wood from various countries. Nhon told the CG he prefers Binh Dinh to Kon Tum because of its open business climate. At another furniture factory owned by the HCMC-based Khai Vy Corporation, company officials noted they planned to focus more on the U.S. market; currently Khai Vy's Binh Dinh operation, which uses computerized machinery for highly detailed work, produces 150 containers of high-end outdoor furniture per month, mainly for export to Europe.

HUMAN DEVELOPMENT ALONG WITH ECONOMIC DEVELOPMENT

10. (U) The evolution of Quy Nhon University (QNU) from a teacher's college to a comprehensive university in 2003 reflects the effort Binh Dinh is making to link economic development with social development. According to People's Committee Chairman Ha, the province is striving to retain well-educated residents through various subsidies, incentive pay, and bonuses. Binh Dinh officials also stated that the provincial government was willing to provide financial assistance to businesses for worker training programs. Binh Dinh is opening a new teacher's college this year and expects a private university to open in 2006. QNU supports three American volunteer English language teachers who come from the English Language Institute, a U.S.-based NGO. Binh Dinh also provides some scholarships to QNU students who commit to returning to Binh Dinh to use their new skills to promote the province's economic development.

ATTENTION TO AVIAN FLU AND HIV/AIDS

11. (U) CG paid a visit to the CARE International office in Quy Nhon, where the NGO is operating a disaster preparedness program and an Avian Influenza (AI) program. According to Carol Sherman, CARE's country director, the AI program, which is funded by New Zealand AID, provides local communities with protective equipment and bio-safety information. CARE is currently working with local officials and international organizations, like the World Health Organization and the UNDP, to provide uniform AI public service messages for community-based distribution. Sherman and local CARE program managers said they generally receive good support from the province.

12. (U) CG also toured an 05/06 rehabilitation center for intravenous drug users (IDUs) and sex workers located in Quy Nhon. It is a small center that currently has 41 residents.

Approximately 40 percent of the residents suffer from HIV/AIDS, mostly IDUs. According to center officials who met with the CG, 40 percent of the women who enter the center are prostitutes, and of those, about 35-40 percent abandon prostitution when they leave the center. Center officials said the average stay for residents is 18 months, but those suffering full-blown AIDS, who have no family to support them, stay until they die. One resident told the CG that he had been at the center for 11 years. Until recently, the center offered a program in peer education and community outreach supported by Family Health International (FHI). Although FHI no longer has funding to continue this program, the center still bases its rehabilitation on the FHI model.

COMMENT

13. (SBU): Although agriculture still supports 70 percent of Binh Dinh's population, the province is making strides toward developing a healthy environment for industrial growth and investment. What appears to give Binh Dinh an edge over other similarly situated provinces in the region, such as Khanh Hoa (Nha Trang), is a progressive-minded People's Committee Chairman, who understands the importance of strong infrastructure and the logic of linking economic and social development. Binh Dinh appears to be moving away from reliance on state-owned enterprises and long-standing vested interests. Furthermore, both foreign corporations and NGOs have found the provincial government to be unobtrusive and, in some cases, supportive. However, as progressive as the Chairman and the People's Committee may be, they do not appear to fully understand international investment models and how to evaluate the credibility of foreign investors, which may make doing business with foreign companies a challenge.

14. (SBU) COMMENT (continued): CG also discussed religious freedom issues with provincial officials, urging that they move to regularize the status of United Buddhist Church of Vietnam (UBCV) Patriarch Thich Huyen Quang, who is under pagoda arrest.

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